The Open and the Closed Corporation as Conflicting Forms of Organization

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Organizational change is discussed in the context of a conceptual model resting on philosophical, sociological, and anthropological foundations. Distinguishing between an open and a closed form of organization, the authors focus on two theses. The first is that organizations as societal systems are marked by the simultaneous existence of two forms of organization that are mutually exclusive in part, with the resulting combinations or mixes of the two forms having the character of a compromise. The second thesis is that these combinations or mixes of open and closed organizational elements tend to be in flux, giving organizational change a partly cyclical structure. The authors' goal is to draw on these two theses to develop the theory of organizational change and elaborate the implications that this interpretation has for organizational change in daily practice.

Discussion within the business community has focused for some while on new forms of organization, ranging from the shift toward flat hierarchies; flexible, decentralized self-organization; and network-like structures of lateral cooperation. As pointed out by Daft and Lewin (1993), however, such new forms of organization lack theoretical

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models offering guidance on how to cope with the processes of change they entail. To help fill this gap, we examine a conceptual model rooted in philosophical, sociological, and anthropological tenets. Differentiating between an open and a closed form of organization, we focus on two theses:

1. Organizations as societal systems are marked by the simultaneous existence of two forms of organization that are mutually exclusive in part, and the resulting combinations or mixes of the two forms have the character of a compromise.
2. These combinations or mixes of open and closed organizational elements tend to be in flux, giving organizational change a partly cyclical structure.

Viewed from this perspective, the new forms of organizations cited above can be interpreted as recombinations or shifts in the balance between open and closed elements. In this article, we draw on these two theses to develop the theory of organizational change and elaborate the implications that our interpretation has for organizational change in daily practice. In the first section, we introduce our conceptual model and illustrate both its aspect of compromise and the free-flowing character of societal systems. The second section is a presentation of this basic concept at the organizational level. Conclusions for a theory of organizational change are drawn in the third section. In the fourth section, we show which specific practical consequences there are for the process of managing change with this approach.

THE INITIAL MODEL: OPEN AND CLOSED SOCIETY

Societal Systems as Compromise

Let us first consider two contrasting patterns of thought, referred to by Popper (1980) as the open society and the closed society (Boerner, 1994). Unlike Popper, who had social policy in mind when making the case for an open society, we assert that both patterns have specific advantages. In reality, so we assume, there are normally mixes or combinations of the open and closed patterns. For analytical purposes, however, it makes sense first to characterize the two poles in their pure form (see Figure 1).

A fundamental distinction between the thinking of the open society and that of the closed society is the question of whether societal reality is perceived primarily as the work of humans and, hence, as something alterable (the human being as subject, the voluntarist principle) or whether it is interpreted as an immutable result of the work of higher powers (such as providence or fate) over which humans have no influence (the human being as object, the determinist principle). Another characteristic distinction between the two patterns of thought is the open society's assumption that people pursue different interests but, for all their dissimilarity, nevertheless have equal value and equal rights. In the closed society, by contrast, it is presumed that interests are homogeneous in principle. There, too, people are viewed as being different, but the consequence is that people are treated unequally and are accorded unequal rights. In the open society, all thinking and action revolves around the individual, so conditions for protecting personal freedom and allowing for individuality are sought. The closed

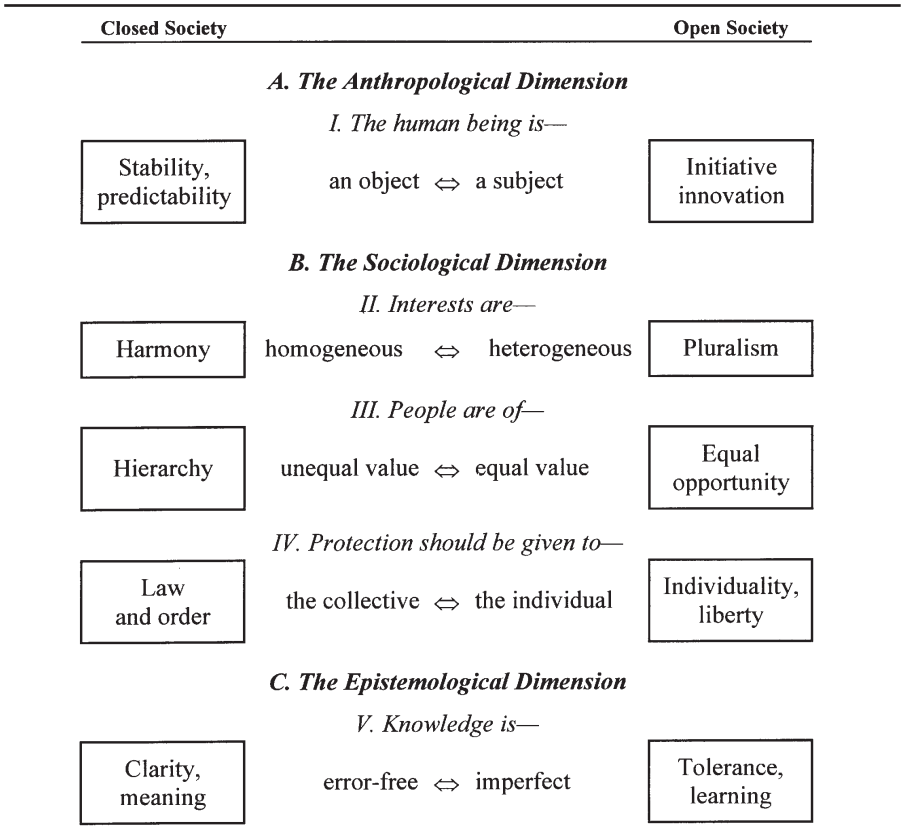

FIGURE 1: Value Pattern and Dimensions of Consciousness in the Closed Society and the Open Society

society is dominated by the collectivist pattern, in which individuals are to subordinate themselves to the interests of the whole. That arrangement, in turn, bequeaths the closed society with value patterns and practices of its own. In the open society, it largely is presumed that human knowledge is always imperfect and therefore can never be anything but tentative, whereas in the closed society, available knowledge is held to be error free and definitive. In this sense, Figure 1 illustrates the different basic assumptions (Schein, 1987) to which one can trace back the two poles represented by the open and the closed societies.

Our assumption is that people do not want only the open or only the closed society but both. Human beings desire harmony and trust but also creative diversity and tension, law and order but also freedom and autonomy, clarity and orientation but also openness and critical thinking, leadership but also partnership with their peers. This insight that we must proceed from two demands rather than one is due largely, say, to Bischof's (1985, 1996) contribution to modern anthropology thus far. Bischof (1996) asserted that the ego develops from the dynamic tension between the desire for belongingness (the closed society) and the need for autonomy and independence (the open society).

The anthropological need for both the old and the new causes a problem because, in reality, the open society and the closed society tend to be mutually exclusive. This second key assumption, which we adopt from Popper (1980), is illustrated by the bipolar arrangement of Figure 1.

Gains on one side thus involve the risk of losses on the other. For example, law and order (Dimension IV) can be advocated in the spirit of protecting the collective. Specifically, one could recommend the installation of listening devices in private homes as a way to fight criminality (an issue being widely considered in Germany). Following through on such measures would indeed constitute protection of the collective but would infringe on the liberty of the individual because of the resulting invasion of privacy. If one takes a liberal stance by siding against the installation of listening devices and for the protection of personal freedom, the decision will hamper police efforts to maintain law and order.

To deal with the either-or issue, some compromises are possible. Regarding Figure 1 as the illustration of a semantic differential, let us measure each dimension on a scale numbered from 1 (*the open pole*) through 5 (*the closed pole*). In any given societal system, each dimension can be practiced at the intermediate level, 3. The dilemma described in the previous paragraph, for instance, could be managed with a compromise. People may agree to establish a graduated surveillance system that does not pry completely into the private sphere but does enable police to intensify efforts to protect the community as a whole (the strategy of *mixing* open and closed elements). The other variant (the strategy of *combining*) consists in the fact that a societal system has unmistakably open features in certain dimensions and distinctly closed features in other dimensions. In Dimensions I and V shown in Figure 1, for example, a societal system can clearly open itself up (Level 4: emphasis on experimentation and learning) to foster economic, technological, and scientific innovation. At the same time, it can narrow itself in the three societal dimensions (Level 4: emphasis on community and consensus) to cushion the social impacts of the severity associated with innovative competition. This model may have been characteristic of Japanese society, at least until the late 1980s (Y. Yawata, personal communication, August 13, 1994).

Depending on how abstract a view one takes, compromises can be differentiated intradimensionally as well. Within Dimension IV, for example, the right to demonstrate could be expanded (1) and simultaneously police units could be sent in to combat the narcotics trade (4). This response would be the strategy of combination. By contrast, one can deal with the problem of drunk driving, for example, by applying graduated degrees of freedom (3). This response would be the strategy of mixing. In this context, compromises (mixes and combinations) do not resolve the polarity between open society and closed society but only defuse them (Gebert & Boerner, 1995; Mintzberg, 1979).

A second explanation for the character of compromise found in societal systems is that the open and closed poles and their ensuing compromises always have negative secondary effects (see Table 1). Allowing diversity (e.g., as an expression of a particular understanding of tolerance) and attempting to work with a variety of interests in a democratic way based on the rule of law is tedious, and the transaction costs are high.

TABLE 1
Attractiveness and Tediousness of the Closed and the Open Society

Closed Society			*Open Society*	
+	–		+	–
Static: stability, predictability, orientation	Rigidity, paralysis	I	Hope, innovation, flexibility	Instability/chaos, responsibility, failure, opportunism
Dynamic: incorporation into a movement, feeling of security	Forced conformity, desolation		Enlightenment/ education	Faith in intrigues, dissatisfaction
Harmony, confirmation, trust	Stagnation, infantilism, possibility of manipulation, isolation	II	Pluralism, potential for development, creative tension	Fighting/conflict, transaction costs, distrust
Differences in status	Discrimination, master-servant	III	Equal opportunity, equal treatment	Leveling
External security/order	Coercion, terror/ totalitarianism	IV	Individuality, liberty/autonomy	Egoism, seclusion, anarchy
Clarity/certainty, meaning	Dogmatism, ideology	V	Critical rationality, tolerance, ability to learn	Arbitrariness, lack of direction, tentativeness

Macrosocially, individuality and freedom can turn into egoism and anarchy, tolerance into arbitrariness and lack of direction, equal opportunity into a lowering of standards to a common denominator, and so forth. The merits of the open pattern clearly are accompanied by distinct disadvantages. Apparently, the more the open pattern is practiced, the higher its "costs."

These costs, or minuses, jeopardize the pluses. One implication is that freedom will be jeopardized by the anarchy to which it opened the door in the first place, a danger that can become an outright threat (Bischof, 1996). This eventuality gives rise to the paradox that freedom must be both fostered and limited simultaneously. Even if only one of the two sides were to be demanded (the open or the closed structure), reality would nevertheless contain compromises between the two worlds because having only one or the other jeopardizes its realization. For both reasons, societal systems will entail mixes and combinations of open and closed features and will thereby have the character of compromise. In any societal system, the implication is that some demands will in principle go unmet.

The Fluidity of Compromises

The fluid character of compromises within societal systems stems from specific objective and subjective processes.

Objective processes. As shown in Table 1, increasingly noticeable unplanned negative secondary effects (see above) result from the practice of either of the two patterns. (The triggering of these unplanned secondary effects is not deterministic, of course. The appearance of the secondary effects depends on situational conditions.) Over time, *experience* with these unplanned secondary effects causes the prevailing social order to be seen as increasingly questionable and problematic—the first nudge toward change in existing compromises.

Of course, the issues that the plus and minus signs subsume in Table 1 are not inherently positive or negative. They become so from the viewpoint of the particular social pattern under consideration. Disputes and conflicts, for example, are an evil in the ground rules of harmony that are embraced in the closed society. From the perspective of the open society, however, disputes and conflicts are constructive interim steps of a development. The relation between master and slave is a nightmare to the open society, but to a closed society, it communicates embedment in the protective structures of the social collective. The extent to which such systems-specific interpretations are elaborated into ideologies is a key aspect that stabilizes prevailing compromises. However, if one accepts Bischof's (1996) anthropological argument that people throughout their lives demand security, orientation, a sense of belongingness, *and* autonomy and freedom, then "disputes and conflict" will become an evil after a certain point even in the value system of the open society, just as the master-and-slave relation will become an evil after a certain point in the value system of the closed society. In other words, given compromises are therefore at least latently unstable.

The sort of change in societal systems does not seem to proceed willy-nilly. Because the costs of the open pattern (e.g., egoism and anarchy) consist essentially in the loss of the goods provided by the closed pattern (e.g., security and order), increasing practice of the open pattern and the emergence of its implied costs enhance the attractiveness of the closed pattern (and vice versa). The process of change in societal systems is therefore likely to be cyclical (see Bischof, 1996, p. 42; Mintzberg & Westley, 1992). This presumption is supported by the fact that observable processes of change can indeed be interpreted as cyclical movements between comparatively open and comparatively closed patterns. To illustrate this point, we now consider primarily the example of the Federal Republic of Germany.

In what has been called the 1968 phase, West German society as a whole largely opened up and went through a change in consciousness in all the dimensions listed in Figure 1, above. It is true that part of that change may have taken place only at the rhetorical level, but it also occurred as unmistakable changes of reality (such as changes in legislation). Within families, it led to visibly changed (often "antiauthoritarian") child-rearing practices.

The main driving force of the 1968 movement was the assumption that people themselves could shape societal reality (voluntarist principle, Dimension I) and could, through popular enlightenment and social change, overcome outmoded constraints and encrusted (i.e., "authoritarian") structures—the minuses of the old order. With the concept of social partnership as conflict, the principle that the interests of labor and management are heterogeneous was given substance through legally mandated

industrial democracy and the right to strike (Dimension II). The idea of equal value and equal opportunity (Dimension III) was expressed in the campaign to reform schools and universities, as well as other domains of society such as the penal system. At the same time, the emancipation and liberation of the individual was declared as an objective (Dimension IV). The image of the world held by the pre-1968 establishment was challenged, and the question of meaning was posed anew. The principle of learning and the assumption that all knowledge was imperfect and tentative was tested in the pursuit of new lifestyles and forms of work (Dahrendorf, 1987).

The atmosphere of a new beginning has vanished since the late 1980s. In Dimension V, the escalating demand for sects signals the increasing attractiveness of the closed pattern and the meanings it offers. In Dimension IV, harsher criminal justice is being discussed as one response, among others, to the problem of crime. In Dimension III, antiauthoritarian child rearing is being castigated as a symptom of the "permissive society," with discipline and effort being called for. A collectivist mind-set stopped the flow of asylum seekers to Germany after a number of homes for foreign workers were burned and as xenophobia dramatically intensified in the country. Disaffection with politics (*Politikverdrossenheit*) was voted 1993's term of the year in Germany. Today, this attitude relates partly to abuses of political power for personal gain (Scheuch & Scheuch, 1992). Another target of criticism is the self-inflicted paralysis of democratic parties, for no decisions are being made despite the desperate need for them. The calls for stronger leadership and a restriction of Germany's federal structure are multiplying (Gessenharter, 1994). Changes from "authoritarian" to "antiauthoritarian" and then to "repressive" are observable and can be interpreted as a cyclical process based on the assumptions depicted in Table 1.

Both the rising chorus of complaints about the tediousness of the open pattern and the growing attractiveness of the closed pattern are not unique to Germany. Similar descriptions exist of the United States (Bellah, Madsen, Sullivan, Swidler, & Tipton, 1985; Taylor, 1993; Walzer, 1993), where comparable processes of openness were experienced in the late 1960s (e.g., student unrest and protest against racial discrimination (Aram, 1976). In the debate on communitarianism, the question of how the crisis in liberalism can be overcome is heard today along with the call to build on traditional values and habits of the heart (Bellah et al., 1985). Stronger moorings in the church and greater reintegration into decentralized local administration are intended to afford a sense of meaning and orientation to enable the individual to live with the burdens stemming from a liberalized polity.

Subjective processes. An important mechanism is that the appraisal of a given situation changes over time at the subjective level even if it remains objectively constant. Even when the objective circumstances do not change, situational conditions that used to be experienced as advantageous come to be felt less and less as advantages, and situational conditions that used to be experienced as drawbacks come to be felt increasingly as disadvantageous. This perception has to do with the familiar phenomena of adaptation and deprivation. It means that existing opportunities to satisfy needs decline in value at the same time as nonexistent opportunities to satisfy needs rise in

value. Such appreciation and depreciation ultimately condition shifts in the degrees to which social orders are seen as attractive, for the perception of their balance between advantages and disadvantages subjectively changes even though the objective situation remains unaltered.

Such processes at the subjective level presumably played an important role in former West Germany's cyclical dynamics as just described. They are immediately apparent in relation to the socialist system of former East Germany, in which acceptance of the balance between advantages and disadvantages of the country's largely closed structure had begun to erode by the mid-1980s. The deficiencies of centralized bureaucratic planning were felt more distinctly than ever. The advantages of the closed structure (e.g., a low crime rate) were no longer perceived as such. This decline in acceptance of then-current conditions was paralleled by a rise in the positive view of a future-oriented balance in which the free West was one-sidedly glorified as "golden." The Western car (Mercedes-Benz) was idealized and marveled at everywhere as the symbol of prosperity and liberty. Although Western television was received by East German citizens, the well-documented drawbacks of West German society plainly did not make a sufficient impression in Eastern popular awareness (Adler, 1992; Pollack, 1992).

In terms of dissonance theory, the parallelism and mutual reinforcement of the depreciation of then-current conditions and appreciation of future-oriented conditions have the function of enabling the individual to make decisions and take action. Simultaneously, though, illusions tend to be fostered as well, so that when the citizens of former East Germany were subsequently confronted by the real conditions of the free West in the Federal Republic of Germany, many individuals were bound to be bitterly disappointed (Gebert & Boerner, 1995). Seen in the context of cyclical change, disillusionment of that kind breeds analogous redresses in the balance of merits and drawbacks, whereby it is the past that is idealized just as the future had been. The situational features that had been appraised negatively are forgotten or repressed. Nostalgia sets in, as demonstrated by the rebound of support for the former Communist party. This process is also reflected in the fact that former East German cigarettes are being smoked in the eastern part of Berlin and that the Trabant (the best known car of former East German manufacture) is making a comeback (see Barber, 1996, p. 265).

We conclude that dilemmatic structure in itself—the concept that every sort of compromise between features of open society and closed society develops its own specific disadvantages—is not solely responsible for the fluidity of compromises. Additional dynamic thrust that keeps compromises fluctuating is independently delivered by the psychological way in which the dilemma is dealt with. The demand for two worlds standing in what at least tends to be an unresolvable dilemmatic relation to each other thus proves to be a key agent of change. (Of course, these forces cannot explain the specific historical manifestation of change processes, such as the political form of the intra-German regime shift. We focus instead on the objective and subjective processes preceding those changes of that nature.)

THE ORGANIZATION BETWEEN OPENNESS AND CLOSURE

Society and Organization

It should be remembered that Popper (1980) raised an issue of social policy. For that reason, we emphasize that we are largely adopting only his thesis about an antagonistic relation between two fundamental social orders. In particular, we do not advocate his generalizing argument in favor of the open society, which to us seems problematic in the social sphere and especially at the company level. We are transferring only a specific facet of Popper's viewpoint to the organizational context. This approach seems promising to us because it was possible to identify both the dimensionality and the advantages and disadvantages of the basic pattern (see Table 1) easily at the microeconomic level (Boerner, 1994) and to document them empirically in case studies (Boerner & Gebert, 1997). At the same time, however, we see basic differences between society and companies as aggregates, and those differences are important to our line of thinking. At least a private enterprise, for example, has more limited ends focused specifically on economic objectives and is characterized by specific legal ownership that can point a private business toward mixes or combinations tending toward the closed pole and that tie the functionality of compromises primarily to economic criteria. Although differences between the organizational and social levels are evident, the fact is that both societal systems involve compromises and shifts therein.

Of course, we do not assume that the possibly cyclical processes at the organizational and social level are mutually independent. As part of society and as an open subsystem vis-à-vis the environment, the organization has a complex interactive relationship with society. From the microperspective, the fact that interaction exists is plausible because actors have multiple roles (e.g., as members of community councils, as managers of companies, as fathers, and as members of associations) and therefore are embedded in a complex process of exchange with other systems. Whereas the existence of such interaction is a fact, it is theoretically less clear what *directions* the effects of these interdependencies have. The obvious parallelism of fairly unidirectional social and microeconomic shifts in compromises in former West Germany during the 1968 phase and in the late 1980s suggests that social shifts (and arguably cyclical ones at that) can foster organizational shifts in the same direction and vice versa. Under which *conditions* one can expect these *parallel* shifts is a question for further theoretical work.

Compromises at the Organizational Level

Returning to the previously cited specifics of corporate reality, we can legitimate in several ways the hypothesis that mixes and combinations of open and closed features exist at the microeconomic level, too. In addition to the twofold demand outlined above at the level of the *individual*, one can assume a dual objective at the *organizational* level. Companies demand innovativeness, the ability to change, and creativity to

adapt to increases in the intensity of competition. But organizations also pursue objectives such as achieving and maintaining stability, reliability, a capacity to act, and coordinated processes to keep to time and cost budgets. Whereas the organizational objective of innovativeness tends to suggest a policy of decentralization, critical awareness, and emphasis on the possibility of learning (i.e., a process of opening), the other cluster of objectives (stability, capacity to act, and reliability) tends to require technical regulations and standards and control strategies (closed structures). In other words, one finds compromises between open and closed features in industrial plants, too, because of their twofold organizational demands.

The similarity with the conditions described for the social level goes further. Even if a twofold organizational demand did not exist, that is, even if the organization did not simultaneously pursue the capacity to act and the capacity to change, seeking only the latter (innovativeness) would necessitate closed, constraining patterns of action to cushion the secondary effects (or what Frese, 1995, has called costs of autonomy) incurred by a policy of extensive opening (Stacey, 1992; Volberda, 1996). The classical finding reported by the Aston group (Child, 1973)—a significant *positive* correlation between decentralization (a policy of opening) and the installation of bureaucratic control procedures (formalization and standardization as a policy of closure)—can be interpreted as an expression of this attempt to achieve balance. In this context, combinations between open and closed features are not only assumed by us to exist in theory, they have already been confirmed empirically (Child, 1973).

The Fluidity of Compromises

Shifts in compromises create new realities within a business and hence both personal and operational disadvantages to which the business subsequently responds. For example, decentralization is accompanied by specific costs of autonomy (Frese, 1995) that prompt a business to recentralize. The recentralization tends to be followed by bureaucratic ossification and losses of motivation, costs that spur the business to decentralize again. The fact that this apparently cyclical process has been frequently described in the literature (Blau, 1964) affords empirical support also for the thesis that compromises shift within the organizational context (for further descriptions of intraorganizational swings and oscillations, see Mintzberg & Westley, 1992, pp. 50-51).

Indicators of Opening, Closure, and Corresponding Compromises

First, we present different patterns of action that we have hypothetically classified under the open or closed pattern and the various different dimensions in Figure 1. Table 2 gives an initial descriptive clue to discerning a business's specific combination between open and closed features. We first cite an example to illustrate the logic of our classification and then examine the issue of classification.

The voluntarist principle (the understanding that societal reality is not subject to inherent natural laws but instead at least partially reflects the result of human will) is manifested within a business in various ways, such as in the process of organizational

TABLE 2
Action Patterns Promoting Closedness and Openness in Companies

Dimensions of Consciousness	*Actions or Instruments Promoting the Closed Society*	*Actions or Instruments Promoting the Open Society*
I. Determinist/ voluntarist	Stress on imperatives (technological, economic, anthropobiological)	Procedural innovations, organizational development, team development, role negotiation
II. Homogeneous/ heterogeneous interests	Cultivation of human relations, symbolic leadership, Christmas celebrations	Stress on Labor-Management Act, openness in dealing with conflict, "internal" markets, competition
III. Unequal/equal value	Rank-specific cafeterias, assistants for carrying luggage and operating overhead projectors	Flattened hierarchies, integration of foreigners, advancement of women, lateral cooperation
IV. Collective/ individual	Uniforms, badges, corporate identity, reward for company loyalty, wholistic planning, closed boundaries	Toleration of right to contradict, granting of a measure of freedom for action, entrepreneurship, self-organization, decentralization, destandardization
V. Error-free/ imperfect	Expertocracy, transformational leadership, "top-down" definition of values, business reengineering, organizational transformation	Bottom-top assessment, tolerance of errors, organizational learning, tolerance of ambiguity

development. In the closed plant, by contrast, the determinist principle tends to be emphasized, a pattern manifested in the prevailing notion of technological, economic, and other constraints and immutability ("that's just how people are").

Now, the reader will not be persuaded by every attempt we have made in Table 2 to assign specific patterns of action to specific poles and dimensions. The basic problem of classification is illustrated by what has been referred to as transformational leadership. According to Bennis and Nanus (1985), the difficulty is not a lack of management techniques but a lack of leadership. It is in this context that transformational leadership (see Gardner & Avolio, 1998) is to be regarded. In Table 2, this type of leadership is associated with the closed society, a classification we explain and critically examine in the following passages.

Visions are partly defined by the fact that they are formulated in a relatively abstract, vague way and that their time horizon lies far in the future. This characteristic distinguishes them from what are called objectives. A vision's vagueness and the difficulty of testing whether it has ever been achieved make this strategy appear to be closed in nature because there are no grounds for subjecting it to rational processes of control.

With transformational leadership, an additional important factor is that the vision be communicated to the workforce by a charismatic figure. Transformational leadership is thereby sustained mainly by an emotional relation between leader and followers (Schelsky, 1975; Weber, 1922/1978). In the end, the latter are persuaded not by reason but by the personality of the leader, and they do what they do not because they see why but because they believe in the charismatic leader. The charismatic leader (in

the classical sense) has as little interest in questioning himself as the followers have in questioning him, a relation that undermines the foundations of openness between leader and followers. By contrast, interaction of the type in an open society is nourished by what in principle is the mutual questioning and the abiding reciprocal potential for error.

In distinguishing a course of action from an objective of action, we have classified transformational leadership under the closed pole because the opaqueness and emotional foundations of the "path" (or means) associate it with closure (Dimension V). As the contrast between, say, Mahatma Gandhi and Adolf Hitler as transformational leaders penetratingly shows, open goals (equality between Hindus and Moslems, tolerance) or closed goals (preeminence of the "German master race," intolerance) can be pursued along this path. It follows that an action cannot be labeled as only open or only closed. Instead, we distinguish between degrees of openness and closure, with the degree rising when the means and the ends of an action point in the same direction.

Transformational leadership is not only open and closed, it is simultaneously multidimensional. It can suggestively reinforce the voluntarist principle in Dimension I and therefore gravitates toward the open pole while substantially communicating certainty in Dimension V and thereby can veer toward the closed pole. Seen in the context of the different dimensions shown in Figure 1, the action can be described as a profile. In this manner, the description of balance based on Table 2, in which an action is characterized simply as binary and unidimensional, can be used only as an initial rough checklist to delineate a specific compromise between open and closed features in an organization. For more precise classification, one can supplement this procedure by describing profiles of selected actions or patterns of actions that are assumed to be especially characteristic of the business or especially effective at marking longitudinal change in it.

In our own study (Gebert, Boerner, & Matiaske, 1998), we developed a standardized questionnaire keyed precisely to the theoretical dimensions shown in Figure 1. The 55 items of this instrument were validated with a sample containing 361 managers from approximately 60 different organizations in the Federal Republic of Germany. Factor analysis confirmed our assumption of tridimensionality (anthropological, societal, and epistemological), a finding that validated our construct. The respondents were asked to rate the business (plant or branch) on a 5-point scale. The following examples illustrate the items presented. For the anthropological dimension (I), "Employees think there is a lot here that not only needs changing but that can be changed, and they say so" (open pole). For the societal dimension (II, III, and IV), "This company's top management is repeatedly emphasizing the philosophy that we're all in the same boat" (closed pole). For the epistemological dimensions (V), "This company is an expertocracy. The judgment of experts is solicited even on trivial matters" (closed pole).

In terms of criteria-related validity, we found that organizations were rated as being more innovative than their competition if their mix or combination had a relatively high degree of openness as defined above. We found distinctions particularly in the anthropological dimension (Gebert et al., 1998, p. 21). Although there were pattern-

like significant positive correlations between the three dimensions named above, there emerged an interdimensional form of compromise interesting for the train of thought in this article. In the new federal states (*Länder*) created on the territory of the former German Democratic Republic, we found a small, Korean-run manufacturing plant that had a significantly higher degree of closure in the societal dimension and a significantly higher degree of openness in the anthropological dimension than any other business. (It is a finding reminiscent of Yawata's personal communication of August 13, 1994, that the rigors of constant change, reorganization, and innovation processes are cushioned in some Asian countries by the social collective.) In the epistemological dimension, this business did not differ from the rest of the sample. One can try describing a business's interdimensional form of compromise between open and closed features of organization in this way as well if a control group is available.

THEORETICAL IMPLICATIONS

Notes on a Theory of Organizational Change

In contingency theories of the organization (Lorsch & Morse, 1974), the dominant conceptual approach is that a business has to be internally structured in a way that makes for a fit between the demands imposed by the environment and the qualities or resources that exist within the organization. Changes in the form of organization are hereby interpreted as responses to emerging misfits stemming primarily from environmental changes of a technological, economic, or societal nature. We propose a complementary perspective according to which a business does not react solely to changes in the environment. Quite apart from them, it also reacts to changes within itself (see "The Fluidity of Compromises," above). Drawing on the concept of autopoiesis, our first conclusion is thus that shifts in compromises can be described as partly self-regulatory processes (Luhmann, 1984).

Because the environment changes as well (regardless of the inherent state of the societal system), there are two sources of the resulting misfits between the demands on the organization on one hand and that organization's qualities or resources on the other hand. We therefore deduce that the functionality of a specific organizational pattern can only be temporary. This conclusion raises the issue of optimizing processes in business organizations. It has been addressed many times in the literature by other authors, with whom we agree that organizational structures are dilemmatic in character (Aram, 1976; Hedberg, Nystrom, & Starbuck, 1976; Neuberger, 1983; Quinn & Cameron, 1988; Udy, 1990). The idea we underline is that the optimum can only be temporary because of the twofold misfit. The effect is that the optimum must be constantly recalibrated.

As unstable compromises between open and closed patterns, organizations are extremely sensitive to interventions. Multidimensional, intensive, and abrupt processes of openness and closure increase the vehemence of shifts in balance because the parallel demand that exists for the opposite pole anyway is intensified by such overt

trends and is not taken into account. (Such shifts in the balance occur if they go beneath the "surface" and affect the organization's deep structure, periods of change that Gersick [1991, p. 19] called "revolutionary.") The strategy of compromise between the old and the new patterns reduces violent swings of the pendulum but is very likely to be compatible with smaller oscillations between the poles, movement that is unavoidable and purposeful in any case (Gebert & Boerner, 1995). To avoid jeopardizing the stability of the societal system, it is necessary to avoid radical change.

Notes on a Theory of Organization

Some of the patterns of action simultaneously taking place in organizations foster the open pattern; others, the closed pattern. Under certain circumstances, actions are perceived as being contradictory. This experience would occur, for instance, if a business encouraged organizational development by paving the way for participatory strategies and organizational learning but simultaneously practiced organizational transformation by having experts develop the new organizational structure and then imposing it from the top (see Gebert, 1997). Such contradictory elements do not themselves constitute a breakdown in management. On the contrary, contradiction is necessarily inherent in what is in principle the functional effort to achieve compromise or balance. One additional consequence of our conceptual approach is that contradiction and paradox has considerable functional potential (den Hertog, Philips, & Cobbenhagen, 1996; Quinn & Cameron, 1988; Remer, 1997). Another is that the ensuing demand for compromise and balance is incompatible with the demand for an absence of contradiction and (especially in Europe) for consistency and consonance of action patterns.

IMPLICATIONS FOR THE MANAGEMENT OF ORGANIZATIONAL CHANGE

The new forms of organization pointed by Daft and Lewin (1993) (such as the transition to unhierarchical, network-like lateral patterns of cooperation) can be interpreted as a strategy of opening up. The insight gained by categorizing such forms of organization as a process of opening is that the problem to be solved can be described more precisely than has been the case. The problem is to mitigate the likely, unplanned negative secondary effects of such processes of opening by reducing the corollary need for closure (i.e., by means of processes of closure) without diluting the sought-after merits of the opening (e.g., increased innovativeness). Managing the change thus implies managing a dilemma, a topic we now address in terms of Lewin's (1951) familiar three-phase scheme of change: unfreezing, moving, and refreezing.

Unfreezing

Given that both the open and closed forms have at least some disadvantages that are unavoidable, it is important to foster acceptance of this basic dilemma to dampen

illusory expectations. One can facilitate acceptance of the dilemma by trying to explain its nature to everyone connected with the company. The more insight the affected people have into the basic structure of the dilemma and the more they see why there are always costs in principle, the easier it is likely to be for these participants to accept the costs as the price for the advantages that are reaped. On one hand, such insight into the change process should be seen positively because it checks utopian goals and corresponding disillusionment. On the other hand, it creates a problem, particularly in the phase of unfreezing, for when advantages and disadvantages are both to be expected after change as well, it may be difficult to rally support for taking on the stress and strain of a change process. To ensure sufficient willingness to engage in change, the drawbacks of the current situation and the anticipated advantages of the desired situation would actually have to be emphasized consistently. Management would therefore be called on also to explain the purpose of paying the price and to illuminate the advantages of the desired practices so clearly that they come across as being worth the cost and hard work they exact. Transformational leaders have repeatedly proven crucial when it comes to generating sufficient support for the process of change.

In our thinking, unfreezing requires the search for a balance between enlightening the relevant people and rousing their enthusiasm (Mintzberg & Westley, 1992, p. 44). Practically speaking, it is conceivable for the latter function (the focus on the purpose of change) to be given to a senior manager and for the former function (the explanation of "why") to be underscored by other managers decentrally.

It is also paramount that the organization learn to describe its specific form of compromise. Which open and closed patterns of action are characteristic for the company and to what degree (see Table 2)? As discussed in the second section of this article, one can describe, or can try to inquire into, the possible combinations and mixes of open and closed features in various ways. Empirical analyses of the impact of the survey-feedback strategy (Gebert, 1997; Pasmore & Woodman, 1996) have shown that respondents are clearly activated and stimulated when the description of the compromise is communicated to them.

Moving

In the context of what is called the structural approach, the previously twofold misfit makes it necessary to design all organizational measures (e.g., decentralization) in such a way that they are reversible in principle. Moreover, it is important in the structural approach to meet the twofold demand that exists. One can satisfy this demand, for example, by ensuring that freedom and individuality attained through decentralization are complemented by ways to remain in touch with the social collective (e.g., by means of opportunities for group work).

One important matter with the personal approach, especially among managers, is to develop the skill and motivation to foster the ability to live in dilemmatic structures and manage dilemmas appropriately. With regard to classical group-dynamic training, whose purpose is primarily to convey what used to be referred to as authentic interaction and openness, our approach is focused on helping people experience the

attractiveness of both opening and closure processes. Subsequent maturation that occurs through group dynamics is bound to make the people involved confront their own demand for both open and closed structures to check unilateral pursuit of open (or closed) structures.

Second, it is important to communicate strategies for actively working toward an equilibrium between a social system's conflicting demands for closure and openness. Specifically, the demand for warmth and accessibility is an issue, but those qualities must not be permitted to impinge on the competitive culture needed for continued innovation, just as the implicit tensions inherent in the culture of conflict must not be allowed to torpedo warmth and affinity. It is necessary in the personal approach to point out these antagonisms, allow them to be experienced, and demonstrate how to offset them better without being able to eliminate them.

Third, it is important in the personal approach to cultivate social sensitivity to recognize in time the shifts that are likely to occur in employee demands and needs as outlined in our approach. What are the signs that employees are trying to protect themselves or that they might be experiencing a growing need for leadership that gives them structure?

If processes of opening up are to be supported, it is imperative to reinforce the patterns of action that are conducive to those processes. As we see it, there is always the danger that processes of opening up will come at the risk of losing what is good about the closed pattern, so in many cases those processes entail anxiety and imply a leap of faith. (Such a leap is signaled when, say, employees take on increased responsibility or have the courage to challenge their superiors for the first time.) Seen from this perspective, the positive reinforcement afforded by this leap of faith is thus of key importance. The theoretically necessary corrective experience that responsibility can be accepted without anxiety is more likely to be gained by employees when the requisite degree of tolerance for mistakes is demonstrated consistently, the very act of accepting of responsibility is positively reinforced, employee tendencies to redelegate responsibility is watchfully admonished, and management's acceptance of such redelegation is warily disapproved of.

Refreezing

The most important point from our perspective is that the classical interpretation of refreezing must be abandoned. We are talking only about a relative degree of refreezing. That is, the processes must remain reversible. Consequently, patterns of action that the change process has shown to be problematic should be examined for the extent to which they can be replaced by functionally equivalent, qualitatively less detrimental patterns of action. For example, processes of openness may cause people to lose their bearings within a company just as within society at large (see Table 1). Within the company, these problems of orientation can conceivably be dealt with by means of transformational leadership. If the charismatic dimension in particular is considered dangerous, especially because it implies that the effect of leadership is heavily dependent on a single person, one could seek functionally equivalent alternatives for action by

asking whether the visionary and the charismatic can be decoupled. It may be possible to address the lack of direction in a company by trying to work out some quality of vision in joint discussions without having it backed by a charismatic leader.

Last, a phase essential for successful refreezing is what could be called the status of the situation between the two poles represented by the old world and the new. As shown by the transformation of industrial plants in postcommunist countries, there comes a point at which the merits of the old system no longer exist, the advantages of the new system have not yet completely developed, and the drawbacks of the new system are fully in evidence. We witnessed such circumstances in plants in Moscow (Boerner & Gebert, 1997). In that situation, shaping the temporal horizon of expectation becomes a key dimension, one that brings us back to the dilemma discussed under "Unfreezing."

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